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SUBJECT: THE BARCELONA PROCESS IN MOROCCO

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REFTEL: RABAT 176

(U) Sensitive but unclassified - protect accordingly

11. (SBU) Summary. Currently, the European Union (EU) has over \$1.5 billion in ongoing projects in Morocco under the Barcelona Process (BP). These projects cover issues related to economics, social services, environmental protection and human rights. The European Commission (EC) in Rabat reported that Morocco is one of only two "preferred" members of the new European Neighborhood Policy (ENP). Since its birth in 1995, the BP has grown significantly in both size and scope. In its current form, it includes the 25 member states of the EU and 19 other countries encompassing North Africa, the Middle East, Eastern Europe and Central Asia that are members of the BP via the ENP. Established in 2004, the ENP is part of the BP and is the basis for political, economic and social relations, as well as dialogue and regional cooperation among its members. It seeks to harmonize EU legislation between all its members although they will not necessarily share institutions and the non-European members will not have the opportunity to eventually join the EU. End summary.

MOROCCO

12. (SBU) Econoff and EconFSN discussed Morocco's 10 year involvement in the BP with Nadia Dupuis, Communication Officer of the EC in Rabat. She noted that the country's results were mixed over the past 10 years, but its greater reform efforts in recent years have made it one of the preferred member states along with Jordan, in the eyes of the EC. Dupuis said that the EU had approximately \$1.55 billion in ongoing projects in Morocco. Originally, BP projects region-wide had concentrated on economic and development assistance, but in recent years efforts have refocused on social and political reform issues. Dupuis said that Morocco had been comparatively slow in the field of human rights, but had now caught up. She added that the EU had only started working on human rights issues in Morocco in 2004, with NGOs, and finally with the GOM in 12005.

EUROPEAN NEIGHBORHOOD POLICY

13. (U) At its inception in 1995 the BP had 24 members, the then 15 EU members and nine Mediterranean countries. Today the BP has 44 members, the 25 EU members and 19 ENP members: Algeria, Armenia, Azerbaijan, Belarus, Bulgaria, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Romania, Syria, Tunisia, Turkey and Ukraine. Russia was invited to join the ENP, but declined. The ENP seeks to avoid new dividing lines between the enlarged EU and its neighbors by increasing stability, security and prosperity. The ENP offers members a stronger political relationship and closer economic integration with the EU based on common values of democracy, human rights, rule of law, good governance, market economics and sustainable development. The ENP seeks to harmonize laws among its members and with the EU, but ENP members will not share in EU institutions. This should help facilitate closer political, economic and social relationships between the 25 EU and 19 ENP members. The ENP does not offer the prospect of EU membership to its non-European members.

14. (SBU) Naturally, the EU does not expect perfect coordination of legal systems with the ENP members and that is why this latest phase of the BP is more bilateral in nature than earlier engagements. Dupuis noted that "Morocco is not the same as Ukraine," each country will need to reform its laws on an individual basis. She expects Morocco to take many years to achieve convergence and no target date has been set to start the process. However, the EU hopes to have a free trade area covering the entire Mediterranean region by 2012. Dupuis said progress on this initiative was very slow, especially vis--vis Algeria and Syria.

15. (SBU) An important feature of the BP is multi year development/reform plans to effect change and measure results. Morocco was one of the first ENP members to have its National Action Plan (NAP) approved, in July 2005. While budgets for the ENP's various three to five year NAPs

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have not yet been determined and they will not go into effect until 2007, they are expected to be more bilateral in nature than the original BP's plans due to the increased diversity caused by the expanded membership. New programs should also be more detailed than those of the original BP and the field of political reform will be expanded. Currently, Morocco is still operating under the BP's existing plan, the 2005-2006 National Indicative Program (NIP).

PROGRAMS

16. (U) The 2005-2006 NIP contains a budget of \$330 million that is dominated by four major programs. Economic projects focusing on upgrading the economic environment and trade development will receive \$120 million. Social programs to improve the living conditions of disadvantaged groups and to combat poverty have a budget of \$156 million. Environmental protection programs, especially for water projects will receive \$36 million. Human rights programs have a budget of \$6 million.

ECONOMICS

17. (SBU) Morocco's NIP seeks to establish a modern and consistent tax system with a broader tax base, fewer exemptions and efficient administration. The plan also calls for establishing a general tax code, simplifying the income tax system, and combating fraud and tax evasion by addressing the informal sector. The NIP contains a budget of \$96 million for this work and it will be performed in

coordination with the World Bank and the IMF. EU officials believe (echoing general donor consensus) that in order to create the right conditions for economic growth, the GOM must bring its budget deficit under control and consolidate public finances (see reftel). In 2000, the budget deficit reached nine percent and in 2005 the GOM reported a deficit of 4.2 percent although the World Bank estimated it to be as high as seven percent.

¶8. (U) Morocco has entered into a number of trade-related agreements in recent years, including an association agreement with the EU, and free trade agreements with the U.S., Tunisia, Egypt, Jordan and Turkey. The NIP seeks to promote regional free trade and to move Moroccan legislation closer to that of the EU. To do so, the GOM will need to liberalize capital movements and services; upgrade internal market regulations; accelerate reforms in the energy and transport sectors; and improve the legal and regulatory framework, customs cooperation, and implementation of the rules of origin. The program related to these efforts has a budget of \$18 million.

SOCIAL PROGRAMS

¶9. (U) Morocco has a critical shortage of housing and is rapidly undergoing a process of urbanization as the rural poor leave their farms in search of greater opportunities in cities. The NIP plans to rehabilitate slum areas, build new housing units, paying particular attention to the most vulnerable sectors of society such as abandoned mothers and children. This program that addresses these issues has a budget of \$108 million.

¶10. (U) The NIP includes a \$7.2 million project to combat rural poverty in 12 communities of the Middle Atlas Mountains, where currently natural resources are over-exploited, agricultural systems are archaic and social services are limited. The NIP plans to introduce a micro credit program, promote the role of women in society, increase awareness and management of natural resources, introduce improved agricultural systems, and bolster social services. A similar \$41 million project will assist the rural poor in northern Morocco by building roads to connect isolated communities, promote trade and tourism, and allow people to reach social services and schools.

ENVIRONMENTAL PROTECTION

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¶11. (U) Water resources are one of Morocco's primary environmental and agricultural concerns. The NIP has a \$36 million plan to build wastewater treatment plants, establish drinking water supply systems, and complete conservation projects. These measures will help improve the access of the rural poor to basic infrastructure and protect the environment. The country has already reached the UNDP's threshold for water scarcity and 90 percent of its water resources are already currently exploited. In addition, domestic, industrial and agricultural pollution degrade resources even further. Only five percent of urban wastewater is treated.

HUMAN RIGHTS

¶12. (U) The NIP seeks to improve human rights in Morocco with supporting programs totaling \$6 million. The first program will attempt to have a national plan on democracy and human rights drafted and implemented. Both GOM officials and civil society representatives will be trained

in their roles and several sectoral studies will be conducted. The second program will offer technical and financial support for Moroccan civil society organizations. This program will create a civil society database, improve the dissemination of information about Moroccan civil society, and offer various forms of training.

NATIONAL ACTION PLAN

¶13. (U) In order to achieve its objectives, the EU has stated it will provide substantial financial support to ensure the success of the ENP and the NAPs developed for its members. While details and budgets of the Moroccan NAP are still not available, some of its key elements are as follows. Under the field of political dialogue and reforms it will attempt to: promote decentralization and enhance the powers of local authorities, simplify and modernize judicial procedures, train judges and court staff, combat corruption, ensure the protection of human rights and fundamental freedoms according to international standards, ensure freedoms of association and expression, protect the rights of women and children, implement fundamental social rights and core labor standards, and strengthen political dialogue and cooperation on foreign and security policy and other subjects of common interest (including combating terrorism and the proliferation of weapons of mass destruction. Other programs will continue the work started under the NIP and include such fields as improving macroeconomic performance, reforming the agricultural sector, improving health and safety standards, protecting intellectual property rights, improving public procurement, increasing cooperation on immigration issues, combating drug trafficking and money laundering, and improving the educational system. While the details of the NAP are still unknown, it appears to compliment the work of other donor organizations in Morocco and reflect and support the GOM's liberalizing and reform minded policies.

¶14. (SBU) Comment. The BP started as an ambitious plan and has continued to grow at a fast pace. Although its results in Morocco and elsewhere have been mixed, the GOM shows favorable momentum in instituting reforms in a number of fields. Several tenets of the new ENP sound overly ambitious (harmonization of EU law with 19 non-EU countries and a Mediterranean free trade area by 2012), but even partial success would be helpful and could go a long way in improving the lives of people living in such diverse countries as Morocco, Belarus and Azerbaijan. The EU seeks to bolster itself in terms of political, economic and security issues by encouraging the 19 developing countries on its borders to base their public policies on the EU model. Morocco has become a darling of the donor community and increased coordination between the USG, the EU and other groups should be pursued to avoid duplication and maintain our influence.
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